indigenous technology or it will import it from abroad?

[*English*]

SHRI P. CHIDAMBARAM: Sir, I do hope hon. Member will recognise that the new industrial policy has been announced on 24th July last year and that these discussions take place between the businessmen of Germany or businessmen of any other country and businessmen of India under the auspices of the Indian and that country's Chamber of Commerce like FICCI, ASSOCHAM, CI and such other organisations. Government officers are not present at those discussions. In these discussions it is possible that agreements are arrived at, M.O.Us. are arrived at and businesses are set up. It is possible that the Chamber of Commerce, at one session, invites a Government officer to make a presentation on the new policy. In fact I am invited some times to speak to them on the policy of the Government. But individual agreements are not within the purview of the Government. We do not want to get into that. That is entirely for business houses to enter into with each other. If it is in the licensed sector, they will apply to us for a licence and then we will know whether permission should be granted or not. If it is in the de-lincecsed sector, they will simply start the industry. Now much of licensing has been taken away. Barring 18 industries, there is no licensing today.

If they want to set up a joint venture, if they come under the policy, in 34 industries upto 51 per cent foreign equity is permissible and the R.B.I gives automatic approval. of you wish to know the results of what has happened in 1991 and 1992 I will give the details.

As regards Indo-German collaborations, I may say that in 1991, 122 technical collaborations and 35 financial collaborations totalling 157 and involving an investments if Rs..41 80 crores took place. In 1992 January and February, 24 technical and 12 financial collaborations, totaling 36 and involving an investment of Rs.3.58 crores took place. This is between India and Germany.

DR. K.D. JESWANI: Mr. Speaker, sir, I would like to know from the hon. Minister whether this high power German delegation showed their desire to help the cyclone - affected people in Andhra Pradesh through the Indian Red Cross Society. If yes, what was their proposal?

SHRI P. CHIDAMBARAM: Sir, it clearly does not come out of this question.

MR. SPEAKER: Yes It is dis-allowed.

**Foreign Exchange for Imports**

537 SHRI INDRAJIT GUPTA: Will the Minister of FINANCE be pleased to state:

(a) whether the cost of imports is likely to increase tremendously for want of foreign exchange at official rate resulting in adverse impact on the economy of country in future;

(b) if so, the facts and details thereof; and

(c) the action taken/proposed to be taken by the Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) and (b). The likely increase in the cost of imports effected through the market rate will not have adverse impact on the economy of the country. The new system of partial convertibility, accompanied with trade policy changes, will provide a stimulus to exports and other foreign exchange flows and will also enable easier access to imports without the need for licensing restrictions. This will have a beneficial impact. Further, the foreign exchange requirements of essential imports such as petroleum and oil product, fertilizers, defense and life saving drugs will be met through official exchange rate.

(c) Does not arise.

SHRI INDRAJIT GUPTA: Sir, about the last part of the answer given I just want to point out that he has listed petroleum oil as one of those items whose imports is to be financed by foreign exchange at the official

rate. I am not asking a question. I am pointing out something which, I think, is an inaccuracy in reply. I want to know whether it is not a fact that it is widely reported that the import of capital equipment by oil development projects is to be financed by foreign exchange at market rate, but not at the official rate. Anyway, he can think over that if he wants to correct that reply. This is a fact which is stated in so many business journals and every-where. What I want to know is, whether it is a fact or not that this partial convertibility arrangement which has been made, in fact, amounts to a 15 per cent devaluation in the rupee exchange and the burden of this is falling on those imports which are linked with exports. I want to know whether it is a fact or not that the cost of the imports has gone up by much more than the value of the exports which they are supposed to generate and if that is so, what will be the net overall impact of this on our balance of payments position which is one of the major fields in which we are facing crests.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, I don't think that there is anything wrong with the answer that has been given. It is true that petroleum products would be made available at the official exchange rate, but we have not stated that the equipment which goes into production of petroleum products should also be at the official exchange rate. So, there is nothing, wrong with the answer that has been given.

As regards the second question, with regard to the effect of the new system on the cost of imports, I think there is no basis for the conclusion that there would be all round increase in the cost of imports. First of all, the total effect of the system has to be understood in the background of the fact that it has replaced the earlier system of EXIM secures; in the past one year a large quantity of our imports have been financed by having to buy EXIM scrips. these EXIM scrips which were available at 30 per cent to 40 per cent of the f.o.b. value of exports commanded a premium and as far as those imports are concerned, comparing the premium that prevailed on the EXIM scrips as against the divergence between the official rate and the market exchange rate, infect many of these imports would be cheaper today than before. It will be true that for some imports which were coming at the official exchange rate, they were not having to buy the EXIM scrips. They will have to pay higher prices because of changes in exchange rates. But taking into account the education in import duty which is very substantial, the overall impact of changes that have been made is not going to be an all round increase in the cost.

The second thing that I do want to say is that the new system deals a severe blow to the smuggling of gold. It also deals a severe blow to the haveala trade. It enlarges the amount of foreign exchange that will be available for financing imports with the larger availability of foreign exchange for effecting imports; I think the overall situation will not be a situation of as much shortage of imported supply as before. Therefore, all these factors together would keep prices of imports under control.

The third question that the hon. Member Shri Indrajit Gupta asked is: Does it not amount to a concealed devaluation? I would respectfully submit, Sir, that in a world of floating exchange rate, these words of 'devaluation' and 'revaluation' have lost their meaning. All over the world, currencies are floating; one day they go up, next day they go down and therefore, I think, of course, he is free to draw his own conclusions. But, these changes, I submit, are going to strengthen our export capabilities and in the process, they will have a favorable effect on the overall growth rate of our economy.

SHRI INDRAJIT GUPTA: Sir, I want to know whether it is a fact that the International Monetary Fund is eager that this partial convertibility arrangement that India has gone in for, should be, in the near future, extended to full convertibility. The hon. Finance Minister also is reported to be in favour of such an exchange possibly even before the end of may this year, which would mean that all imports would then be financed by foreign exchange at the market rates. Already thhe exporters who are, after all, creating some

value in the country, they get this foreign exchange benefit only to the extent of 60 per cent, whereas the NRIs who are depositing their non-repatriable fund in this country, are already being allowed the benefit of full market rates of convertibility.

SHRI MANMOHAN SINGH: First of all, I wish to say that the arrangement of partial convertibility was not put into practice at the instance of the International Monetary Fund. In fact, the IMF does not like these arrangements which are in the nature of multiple exchange rates. Therefore, I would like to state that there is no basis for the conclusion that this arrangement was effected at the behest of the IMF.

As far as the second part of the question is concerned, we have no intention of going into a regime of full convertibility in may, as has been reported in the newspapers. The present system should be allowed to work. I have said that the future of India's exchange rates will depend very much on our ability to control our financial and fiscal system. If we gain control over the fiscal situation, then we will be able to take the next step and the ultimate destination to which we would like to move is a system of convertibility. But, as of now, I cannot say that we are near that stage.

SHRI PRITHVIRAJ D. CHANVAN: Sir, my question is about the 60-40 ratio of foreign exchange which is allowed to be retained. In the regime of EXIM Scrips, we head allowed 30 per cent to be retained by the exporter and 70 per cent was with the Government. Now we are allowing 60 per cent to be retained by exporter So, what is the justification for such a high percentage of retention even when we know that the Foreign Exchange Dealers Association of India had recommended a much lower figure of foreign exchange to be retained by the exporter?

SHRI MANMOHAN SINGH: Sir, this matter has been gone into carefully. We have said that most of the essential imports would continue to come at the official exchange rates. If we are going to finance the defeance imports, petroleum product and fertiliser products, then adequate amount of foreign exchange must be made available to the Government to finance these activities and we concluded, after taking into account the likely trend of imports and exports, that 60-40 ratio was the rightratio.

SHRI RUPCHAND PAL: Sir, in view of what the hon. Finance Minister has said, is it not a fact that our export in dollar terms, has been declining since the devaluation of the rupee? On 28th February, that is, a day before the presentation of the Budget, the difference between the official rate of dollar and the market rate was only 44 paise.

On 27th March, 1992 the official rate was Rs. 25.88 and the market rate was Rs. 31,25 and there was a difference of Rs. 5.37.

The hon. Minister may say that in the present day world, in the floating currency, the devaluation, revaluation all these words are days of yester years. May I know in view of the steady decline of our export in the dollar term, is it not going to neutralise whatever additions you envisage through reduction of import duty? Is it not a fact that our export is going to be hampered in a big way?

SHRI MANMOHAN SINGH: I do not share this apprehension that our exports would decline. In think, it is factually not correct to say that our exports to the general currency area have declined after devaluation. I think, my colleague, the hon. Commerce Minister has answered questionas on export trends in this House on several occasions.

It is true that India's exports have not done well. But this is for reasons which have nothing to do with the devaluation of the rupee. The disappearance of the erstwhile Soviet Union has meant that the trade,with the Soviet Union has come to a halt. Now, new arrangements are being made.

Outside the rupee trading areas, the exports to general currency area, in fact, have incensed in dollar terms by six per cent.

So, the statement that exports have been declining I respectfully submit, is not factually correct.

**Export of Food Products**

*538. SHRI K.V.R. CHOWDARY: Will the Minister of COMMERCE be pleased to state:

(a) the details of the food products exported during 1989-90, 1990-91 and 1991-92 and the amount of foreign exchange earned therefrom;

(b) the target fixed for the export of the above products during 1992-93; and

(c) the steps taken of proposed to be taken by the Government to encourage the exports of food product?

THE DEPUTY MINISTER IN THE MINISTRY OF COMMERCE (SHRI SALMAN KHURSHEED): (a) to (c). A Statement is laid on the Table of the House.

**STATEMENT**

(a) and (b). Information for major items is indicated in the statement given below.

(c) Government have already taken a series of measures to improve policy environment for exports. These measures have been further reinforced by the new Import & export Policy, which has come into force with effect from 1st April, 1992, for a period of five years,

Specific steps taken or proposed to be taken to encourage export of food products are as under:-

(A) *Short-term steps:* Shemes for market development, product promotion, quality upgradation, packaging improvement, competitive pricing, market intelligence, development of infrastructure, removal of constraints and simplification of procedures.

(B) Long-terms steps: Increasing production and productivity, penetration into new markets, product development, promotion of export oriented processing industries, improving credibility and image of Indian food products.

**Statement of export of major items of food products and the tentative targets for export during 1992-93**

*(Value in Crores)*

| *S.No.* | *Commodity* | *1989-90* | *1990-91* | *1991-92* | *1991-93* |
|---|---|---|---|---|---|
| | | *(Value)* | *(Value)* | *(Value)* | *(Value)* |
| 1. | Rice | 426,52 | 461.57 | 458.72 | 800 |
| 2. | Wheat | 2.14 | 31.13 | 99.95 | Nil |
| 3. | Other Cerals | 1.96 | 2.77 | 4.12 | 50 |
| 4. | Spices | 276.98 | 233.94 | 247.54 | 350 |
| 5. | Cashewanuts | 365.07 | 441.40 | 511.80 | 650 |
| 6. | Groundnut | 34.14 | 56.86 | 5.81 | 50 |
| 7. | Sugar & Molasses | 32.51 | 37.57 | 93.02 | 200 |